

“ONLINE GROCERY SERVICE IN INDIA: THE WAY AHEAD”

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ABSTRACT

Zeithmal et.al (2011) defines a service as ‘deeds, process & performance,’ offered by one party to another. Deeds are the actions of the service provider, process are the steps taken in the provision of a service & performance is the customer evaluation regarding the delivery of the service. Thus in any service sector, including the e-grocery sector, all the areas right from the service provider to the customer angle, are well elaborated. Lovelock et.al (2013) describes service is an economic activity, which provides benefits to the customers at specific times & desired places.

The article deliberates upon online grocery area of service innovation, which is at a very nascent stage in India. Thus, giving the companies involved & category per se, a huge untapped market to bank upon. This article throws light & identifies the intricacies involved, the issues & challenges for the sustainability of the online grocery sector.

The study deals with the growing demand for e-commerce in today’s world and how the online grocery sectors is starting to flourish because of increased likeability by e-consumers. It throws light on the influencing factors that drive consumers towards purchases from the e-sector & also explains attributes which appeal to consumers while purchasing online. Last but not the least, the article also analyses the business model & the service element involved in the said service.

The data for the article has been collected by various sources such as books, websites, research journals, magazines & newspapers.

KEYWORDS: E-Grocery, Online Grocery, Service

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INTRODUCTION

Online Grocery Market in India

Online grocery shopping has continued to rapidly evolve in recent years, facilitated by ongoing development of internet and mobile communications.

However, the market still faces key challenges in breaking out from niche status. Success will be dependent on meeting expectations of greater choice, consistent quality, convenience and more effective direct engagement in retail-consumer relationships.

A report published by USFDA states that online grocery business will touch a staggering figure of \$ 10 billion by the end of year 2020. The report also expects majority of the sales coming from the four metro cities, along with Bengaluru, Pune & Hyderabad.

Ever-improving web technology constantly increases the speed and ease of internet shopping. The

growing prevalence of consumers purchasing goods and services on the internet continues to show great potential, enticing manufacturers and retailers to plunge into the virtual world. Not only are consumers getting more used to 'window shopping' online, but also the cheaper price tags and the easiness of finding deals has increased the incentive of shopping online.

There are a number of online sites in Mumbai offering grocery selling. Prominent among these are Localbanya.com, Ekstop.com, Bigbasket.com, etc. Conglomerates like Mukesh Ambani owned Reliance Industries Limited have made their foray into the virtual world of grocery shopping with reliancefreshdirect.com. one of the most successful online e-grocer is bigbasket.com. the online grocer has more than 10000 products at its website. These sites offer products like beverages, dry fruits, cooking oil, ghee, personal care, home care & branded food categories to name a few. A relatively new entrant in the business is Grofers.com. This company as opposed to companies like bigbasket.com or a reliancefreshdirect.com insists on a hyper local model of delivery. With the use of this model, the company claims to deliver the articles within 90 minutes of ordering. The sites also offer a variety of payment options. Also, these websites have their business models located across cities.¹

Objectives

The objective of this article is to determine & analyze the reasons behind a spirited takeoff of the e-grocery sector. The article also deliberates on the business model for the said sector, which slowly but surely is establishing itself as game changer for the sector.

Literature Review

Ellis C (2003): Outlined that a lot of online grocery portals fail because they ignored key operational insights. A lot of today's successful online websites charge a delivery or pickup fee, which is in line with their supply-chain costs. Customers in this study were ready to pay increased costs if convenience was offered to them. The study also analyses the need for sellers to carefully educate customers about new services and coach them in how to get the most benefit from the service. The study also shows the importance of reliability being an important factor in selection. The time taken for the first order in most of the cases varied from 60 to 80 minutes as against their fifth order which took them 25 to 30 minutes.

Keh, H.T. & Sheikh.E.(2001): Were of the opinion that for the success of a channel, elements like supply chain management, competitor analysis, barriers to entry & exit, cost structure and barriers to entry & exit were of a major importance. Another important factor which influences buying from online channels is the rise in number of time starved customers. Households with young children embrace the concept of e-shopping. Also the time starved and the dual income households are the major drivers of online shopping.

Salisbury et al. (2001): Outlined that to increase online shopping, merchants need to take the proactive steps to minimize the consumer's feeling of risk. If the customer feels that the website may be fraudulent or his account/card details are unsafe, the customer is lost forever.

According to Den Hertog (2000): There are four parameters which explain the model of service innovation.

¹Sharma Milan, Buy Your groceries Online, The Economic Times Newspaper, ET Wealth Section, October 3rd, 2011, 66

- **The Service Concept:** This refers to the new type of concept or service in the market. An example can be new type of a bank account or an information providing service. With reference to the article being discussed an online grocery shopping application falls in the earlier category.
- **The Client Interface:** This refers to innovation in the interface between customers & their service providers. This is the change in involvement (high to low or low to high) in the service process, thus changing the rules of the game in the service categories. So, self-service at McDonalds & web check in at the airports fit in this category.
- **Service Delivery System:** This refers to changing the rules of the game with respect to the delivery systems. Thus, an innovative way of service delivery preferred over conventional way forms a backbone of such a system. An emerging concept of SDP is the idea of taking a "factory" approach to Service Innovation. A "service factory" approach is a standardized and industrialized environment for more effective service innovation & development.
- **Technology Options:** den Hertog (2000), says that the new innovations in information & technology sector form the backbone of providing services to the end user. An example can be physical products accompanying services, such as customer loyalty cards, etc.

According to Saxena (2006), the process of consumer decision making consists of five stages. These stages are as stated below:

- **Problem Identification or Need recognition:** This is the starting point felt by the consumer for his needs. Marketers are associated with creating a need based stimulus.
- **Development of Decision Criteria:** In this stage, the consumer prioritizes the factors based on which he would be taking decisions. The factors generally are convenience, availability, etc.
- **Search for Alternatives:** After the decision making criteria is formed, the consumer starts searching for various alternatives. Advertisements & marketing activities influences the search for the alternatives
- **Evaluation of Alternatives:** The penultimate stage is the evaluation of alternatives. The evaluation is based on the criteria which is already in place for the customer.
- **Decision:** This is the final stage of the purchase process wherein the customer makes a decision either to buy or not to buy a product, service or a brand.

Shivshankari et.al (2015), are of the opinion that things which are required in our daily lives or things which touch our daily lives are easily accessible on the internet. Be it India or any other country in the world, all the customer needs is an internet connection. The authors describe a six stage process right from browsing the internet website to choosing & adding an item in the electronic basket to various payment methods, leading to confirmation & shipping of the order. They are also of the opinion one major problem, customers face is the lack of or dearth of complete information on the products or service they desire to purchase.

According to Sharma & Mittal (2009), India as a country has shown a huge amount of growth as far as e-commerce is concerned. One of the major reasons is the easy accessibility of internet. They also mention there are two kinds of portals: the first one is a generalized portal which provides products like apparels, electronic items, consumer durables, fast moving consumer goods to name a few. The specialized website pertains to dealing with a single specialty

like online grocery, dealing in cars & other services. E-commerce organizations have to be very cautious in dealing with logistics, vendor management, taxation & payment collection.

According to **Singh (2015)**, convenience coupled with saving of time is the new mantra for the generation. Consumers, these days are generally multitasking right from purchasing of groceries to hiring of cab services. Customers now seek to get the best results from the services which have to take into consideration the time factor. The consumer behaviour is shifting to the mobile shopping from desktops. As an example the average time taken by consumers to order in the month of June 2015 was 5.5 minutes as which reduced to about 30% to 3.6 minutes in the month of November. She also talks about the on-the-go food or deal meals, the consumers of which have increased substantially.

The article on **Indiaretailing.com (2015)**, draws a comparison between the inventory model & hyper local model of e-commerce retailers. Hyper local model has a distinctive advantage as neighborhood stores undertake the delivery of groceries ordered by the customers on the mobile application or the internet. On the other hand, the inventory based models get the products into their warehouses, upon getting the order from the customer & then deliver to the customers. The inventory model is more costly as compared to hyper local model, as the investments needs to be done in warehousing & supply chain. On the contrary, using a hyper local model does not entail investments on the storage front. Also, the hyper local model enables quicker delivery of products, as they are largely from local retailers, overcoming obstacles like supply chain & infrastructural hurdles.

Prime Growth Drivers of E-Grocery

There are a number of factors driving this increased consumer interest in online grocery shopping. Those who take the plunge and purchase groceries online tend to be satisfied, citing convenience, selection, and savings as primary reasons for choosing online grocery over in-person shopping. Despite these benefits, most shoppers continue to buy groceries in-person. Online grocery shopping deterrents include shipping costs, inability to inspect perishables, and having to wait for deliveries to arrive, which works against the core convenience benefit. In addition, many consumers continue to shop for groceries in person out of habit, or due to lack of awareness/availability of online grocery options.

Online grocery is poised for growth, at the intersection of four mega-trends:

- **Convenience**

The increase in stress associated with the work-life balance has already transformed the packaged goods industry. On-the-go products are one way to ease hectic lifestyles, and online grocery could become a catch-all of convenience for the food, beverage and personal care categories. Double income families more often than not, get less time for personal interaction. Thus online ordering of grocery items not only is a time saver for the families, but also frees up time that can be spent with family or enjoying leisure activities.

- **Generation Y**

One of the barriers to entry for the online grocery category is habit, those who did not grow up with the Internet or e-commerce may be hesitant to purchase groceries online, just as consumers accustomed to purchasing fresh produce and meats resisted supermarkets generations ago. Now that Generation Y has approached grocery-buying age, the “habit barrier” may begin to erode. Since making purchases online is second nature for Generation Y, they are less likely to distinguish between online grocery shopping and buying clothing or consumer electronics online.

- **Broadband**

Our Population has easy broadband access, and these numbers are expected to increase, leaving Indian shoppers well-equipped to browse virtual aisles and fill their e-grocery carts. With the 4G services set to roll out in the country, virtual e-grocery business is likely to increase by leaps and bounds.

- **Customization**

Online grocery shopping is conducive to customized recommendations based on previous shopping habits (e.g., serving up product recommendations or promotions for combinations of offerings/kits). Also, online companies now have a feature whereby whatever they have order earlier comes in a form of a list, which can be re-ordered again. Thus customization & convenience will take the centre stage once, this business booms.²

Online Grocery Ordering Process & Description

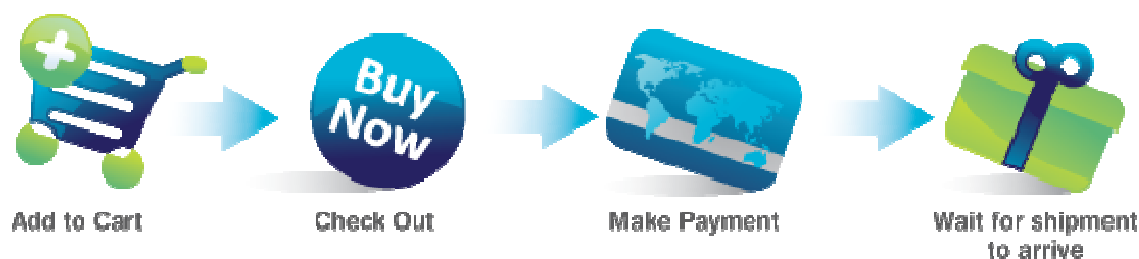


Image 1

Image 1: The picture describes the process of online grocery ordering. Step 1 is to choose from the grocery items available on the site & adding them to the virtual cart. The customer then clicks on the check –out link & makes the payment, finally getting the shipment at his door step.

²GangulyDibyendu& Gupta Deepali, Online Grocers are Now Ready to take The Big Leap Home, The Economic Times Newspaper, April 17th, 2013, 13

Image 2

Image 3

Image 2 **Image 3**

Image 2: Describes the payment options available to the customers. By and large online sellers offer a variety of payment options to the customers like credit or debit cards, cash on delivery & payment through mobile wallets.

Image 3: Potrays the availability to the delivery options to the customers. The customer has an option of choosing his desired day & time of delivery. The customers choose this option according to their own convenience & availability at their preferred location of delivery. Giving this option the e-retailer minimizes on its logistics costs, ensuring that the customers are available at their preferred location to avail the product delivery.

The Business Model

This trade entails there are two types of business models: Inventory based model & hyper local model. In the inventory based model, the e-grocers, on receiving the order from the customers, route the products to their warehouses. After the product reaches their warehouses, this is then delivered to the customers from their warehouses. So the onus right from the product order received to the final delivery rests on the online grocery. The other business model that e-organizations follow is the hyper local model of delivery. In this model, the e-grocer is just an aggregator of products. On receiving the order from the customer, the e-grocer directs the local mom & pop stores, which are in an area close to the proximity of the customer to fulfill the order. Thus in this model has divergent set of operations as compared to the former, as during the order fulfillment the product does not load to the company warehouse but a tie-up with the local retail stores ensures smooth delivery. The only tricky thing with this model is that the final delivery depends on the person who is not an employee of the organization. So any badly behaved delivery person may ruin the reputation of the company.

The Service Element

The companies mentioned above, have an uncomplicated business model. These companies have lower challenges on the operational front, as most of them do not carry any inventory of their own. They only function as the link between service provider & the customer.

The physical buying of grocery falls in the category of a high contact service. According to Lovelock et.al.(2013), a high contact service is a service, in which the contact between the customer & service provider is very high. The customer in such high contact level service goes to the service provider to avail the service & remains in the vicinity of service provider through the provision of the service. Conversely, a low contact service is a service in which the contact between the customer & service provider is less. Many routine transactions like the ATMs, website handling & IVR come under this category. In these type of services, the involvement of the employees is limited. Giving a technology angle to the above mentioned services & experiencing them through internet based platforms, transforms these services from a high contact services to low contact services.

Why would the company want to do this? The answer is obviously saving on the costs associated with a high contact service, i.e. real estate costs, inventory carrying costs & warehousing costs. A number of these service providers become aggregators or a link for the customers to avail the service from the service providers. Thus, with the support of technology, these organizations are successful in setting up a virtual world, which aids maximization of profitability through relatively lesser investments.

Research Methodology

Exploratory research is undertaken to explore the role of service in the e-grocery sector. The researcher has largely concentrated on the grocery sector, which was never thought of being online. The data collected is secondary as it is based on various sources such as books, magazines & newspapers. The internet & articles from various newspapers has been extensively referred and used for the purpose of exploring the research issue. Literature from the articles published in journals pertaining to online shopping has been referred.

CONCLUSIONS

The online grocery sector is at an introduction stage of the business cycle. The other way to look at it is that the business offers a massive growth potential. Touted to be a \$ 10 billion industry in the coming years, e-retailers should leave no stone unturned to leave an indelible mark in the minds of the consumers. The consumer acceptability of this business model is still at a very low rate. One of the major benefits of this model is the convenience it offers to the customers for their grocery purchase. The business being at a very nascent stage, evolving of the hyper local model is commendable. Success of this business will depend not only on the customer acceptability, but also on the service delivery element of these online merchants. The organizations in this industry will have to be very cautious as any sort of an over promise or under delivery may sully their reputation & dampen the prospects of future sales.

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